

VZCZCXYZ0000
OO RUEHWEB

DE RUEHML #1959/01 2281047
ZNR UUUUU ZZH
O 151047Z AUG 08
FM AMEMBASSY MANILA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 1628
INFO RHHMUNA/CDRUSPACOM HONOLULU HI IMMEDIATE
RUEHBK/AMEMBASSY BANGKOK IMMEDIATE 2899
RUEHGP/AMEMBASSY SINGAPORE IMMEDIATE 7443
RUEHJA/AMEMBASSY JAKARTA IMMEDIATE 6744

UNCLAS MANILA 001959

SIPDIS
SENSITIVE

STATE FOR EAP AND H -- H PLEASE PASS TO STAFFDEL HIGGINS-MARCHESE

E.O. 12958: N/A
TAGS: [OREP](#) [PREL](#) [RP](#)
SUBJECT: SCENESETTER FOR STAFFDEL HIGGINS

REF: STATE 81490

¶1. (SBU) Summary: Embassy Manila warmly welcomes to the Philippines professional staff members Craig Higgins and Steven Marchese of the House Committee on Appropriations, Subcommittee on State, Foreign Operations, and Related Programs. The relationship and spirit of partnership between the United States and the Philippines are strong. U.S. interests in this major non-NATO ally center on strengthening democracy, fostering economic growth, fighting terrorism, and providing superb services to our American and Filipino publics. The U.S. is the Philippines' largest trading partner and the largest donor of grant foreign assistance. During your visit, you will have the opportunity to learn about Post's involvement in economic development and security assistance activities, as well as understand the impact of U.S. foreign assistance accounts in the Philippines. Our entire team looks forward to making your visit productive and useful. End Summary.

BACKGROUND

¶2. (U) The Philippines, with almost 90 million people, has one of the fastest-growing populations in Asia. Metro Manila, home to at least 12 million people, is the largest city in a country made up of over 7,000 mainly mountainous islands. Literacy (94%) remains high, although the standard of public education and other government services is weak. Filipinos are mainly Roman Catholic (83%) or Protestant (10%), with a small Muslim minority (6%) in the southern island of Mindanao and in Manila. Approximately 38 percent of Filipinos earn less than \$2 per day, with a much higher percentage of Muslims in Mindanao eking out a living below this threshold.

PHILIPPINE POLITICS

¶3. (SBU) Philippine politics is free-wheeling, focused primarily on the charisma of individual political leaders, and still largely oligarchic, with most wealth and political power concentrated among influential families. President Gloria Macapagal Arroyo assumed the Presidency in 2001 after a "people power" movement swept out her predecessor, whom she recently pardoned after he was convicted of corruption. She is a strong leader who has faced a series of challenges to her rule, including unsuccessful impeachment efforts and low-level military coup attempts. The President's political position improved after May 2007 elections gave her allies a large majority in the House of Representatives, decreasing any impeachment threat. With two years left in her term, the President appears intent on establishing her legacy, with a focus on the economy and jobs, infrastructure, and seeking stability and peace on Mindanao.

ECONOMICS AND TRADE

14. (U) The U.S. is the Philippines' largest trading partner, with over \$17.1 billion in two-way merchandise trade in 2007. Major U.S. exports include electronics and agriculture. The Philippine economy grew by 7.3% in 2007, the fastest pace of growth in over three decades. Growth was fueled by increased government and private construction expenditures, a robust information and communications-technology industry, improved agricultural harvests, and strong private consumption, spurred in part by \$14.4 billion in remittances from overseas workers (equivalent to about 11% of GDP). GDP growth is expected to slow in 2008, but still reach between 5-6%. Record economic growth and an improved image moved the Philippines up five places to 40th in the latest World Competitiveness Yearbook rankings, its best performance since it joined the listing over a decade ago. According to the April 2008 Social Weather Stations survey, Filipinos' self-assessed proficiency in the English language has recovered in the past two years after a decline over the previous 12 years. President Arroyo has an impressive reform agenda -- privatizing the electric power sector, building infrastructure, increasing education funding, and reducing business red tape -- but still faces significant hurdles, particularly to improving the investment climate.

COUNTERTERRORISM EFFORTS

15. (SBU) Three U.S.-designated terrorist organizations are active and dangerous in the Philippines, despite significant military success against them over the past two years. Separately, the New People's Army of the Communist Party continues to extort, bomb and attack remote police and military outposts. Parts of Muslim Mindanao remain a sanctuary for terrorists who are responsible for bombings in the Philippines and Indonesia and the kidnapping and killing of Americans and Filipinos. The major thrust of U.S. development assistance is focused in conflict-affected areas of Mindanao through USAID to help reduce support for terrorists. The Philippine military has scored successes against several top terrorist leaders in its focused military operations and its civil-military and humanitarian activities that eliminate spaces in which terrorists can operate. In addition, the Philippines' Defense Reform Program gradually is transforming the Philippine military into a more transparent, accountable, and effective institution that enjoys an increasing level of public trust.

PEACE PROCESS IN MINDANAO

16. (SBU) The peace process continues to move forward in the aftermath of a Philippine Supreme Court order that temporarily halted the August 5 signing of the government's territorial agreement with the Moro Islamic Liberation Front (MILF). With the government's ability to sign the territorial agreement temporarily suspended, parties to the peace process are renewing their focus on the long-term goal of a comprehensive peace settlement. However, the challenge remains for Presidential Advisor on the Peace Process (and former Chief of the Armed Forces) Hermogenes Esperon and the other Philippine government negotiators to bring together Mindanao's diverse Muslim, Christian, and native communities. Successful peace in Mindanao would make the Philippines a stronger, more outward-looking partner, while also denying terrorists ungoverned spaces.

DEVELOPMENT AND LAW ENFORCEMENT ASSISTANCE

17. (U) Development assistance from the U.S., complemented by increasing support from the World Bank, Japan, Australia, and others has established growing zones of peace and private sector-led growth in Mindanao, thereby attacking the conditions of poverty that provide breeding grounds for terrorists. About 60% of USAID's annual development assistance is channeled to conflict-affected areas of Mindanao to promote economic opportunity, build

infrastructure, and carry out programs that promote health care, renewable energy, environmental protection, education, and strengthening of local governance. The Embassy's Public Affairs Section (PAS) exchange programs for students and community leaders offer a chance to interact with responsible and moderate Muslims.

18. (SBU) USAID, Embassy law enforcement agencies, Philippine local governments and law enforcement authorities, as well as NGOs collaborate on various programs throughout the Philippines, with a value of more than \$1 million in 2007, to raise awareness that helps prevent Trafficking in Persons (TIP), arrest and prosecute human traffickers, and protect and assist TIP victims. The assistance includes providing NGOs such as the Visayan Forum Foundation with funds to build and operate halfway houses and shelters for victims. Our law enforcement agencies train police, customs, and immigration agents in detecting human trafficking and saving victims. Our USAID programs help educate people about the dangers of trafficking and also train prosecutors on trafficking cases.

HUMAN RIGHTS: COMBATING EXTRA-JUDICIAL KILLINGS

19. (SBU) President Arroyo has consistently expressed her commitment to resolving the complex problem of extra-judicial killings and has taken several steps in this direction. With increased domestic and international pressure, the number of extra-judicial killings decreased dramatically in 2007, but more still needs to be done. While many of these deaths and disappearances are more likely attributable to local disputes than to military or police action, it is clear that the government needs to do more to ensure that these crimes are fully investigated and that responsible parties -- whether or not they are connected to military or police -- are brought to justice. The problem is closely related to a judicial system which is inefficient and strained beyond its capacity. The government has responded with a police task force ("Task Force Usig") to investigate the killings. The government also rejuvenated the Presidential Committee on Human Rights, established an Armed Forces Human Rights office to investigate allegations, and allocated additional funding for the Commission on Human Rights.

THEMES AND TALKING POINTS

10. (SBU) You may wish to draw on the following themes in your meetings:

-- The Filipino-American friendship and partnership has stood the test of time and will continue to endure because of its strong historic ties.

-- The U.S. and the Philippines are bonded by decades of friendship, cooperation and joint sacrifice. That bond will remain strong, not only because of our shared past, but our shared vision of the future where our two countries prosper together in a world of freedom, security, and justice.

-- U.S. development assistance and business partnerships are helping achieve higher economic growth and spread this growth, especially to the poor and disadvantaged.

-- In close cooperation with our Filipino partners, the U.S. Government will continue to be a strong and dedicated partner of the Filipino people to combat trafficking in persons.

Visit Embassy Manila's Classified SIPRNET website:
<http://www.state.sgov.gov/p/eap/manila/index.cfm>

You can also access this site through the State Department's
Classified SIPRNET website:
[http:// www.state.sgov.gov/](http://www.state.sgov.gov/)

KENNEY